

**PROCEEDING BEFORE THE HONORABLE ALLAN L. MCVEY  
INSURANCE COMMISSIONER OF THE  
STATE OF WEST VIRGINIA**

**IN RE:  
PANHANDLE FARMERS MUTUAL INSURANCE CO. OF WEST VIRGINIA  
ADMINISTRATIVE PROCEEDING  
17-MC-STAT-02004**

**AGREED ORDER ADOPTING REPORT OF  
MARKET CONDUCT EXAMINATION, AND DIRECTING  
CORRECTIVE ACTION**

NOW COMES, The Honorable Allan L. McVey, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the Report of Market Conduct Examination for the examination of Panhandle Farmers Mutual Insurance Company of West Virginia for the examination period ending December 31, 2016 based upon the following findings, to wit:

**PARTIES**

1. The Honorable Allan L. McVey, is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. PanHandle Farmers Mutual Insurance Company of West Virginia (hereinafter, "Panhandle" or "Insurer") operates under the provisions of Chapter 33, of the West Virginia Code and is domiciled in West Virginia.

3. Insurer is licensed in the State of West Virginia to transact business as a Farmer's Mutual Fire Insurance Company under the provisions of Article 22 of the West Virginia Code.

4. This Market Conduct Examination was instituted pursuant to W.Va. Code §33-2-9 which requires the Insurance Commissioner to examine each West Virginia domestic insurance company every five (5) years. The conclusions and findings of this examination are public record.

### **FINDINGS OF FACT**

1. The Market Conduct Examination was a comprehensive examination focusing on the methods used by the company to manage its operations. The examination was conducted in accordance with W. Va. Code §33-2-9(c) by examiners duly appointed by the Offices of the West Virginia Insurance Commissioner.

2. The examination began on April 3, 2017 and concluded on May 19, 2017. A total of thirty-five (35) standards were tested during this examination. Of these thirty-five (35), the company was found to be compliant with thirty (30); predominantly compliant with four (4) and one (1) standard was not applicable.

3. The result of the Market Conduct Examination did reveal the following areas of concern: W.Va. Code §§33-12-18 and 33-12-23; Standard D2: A producer who was neither licensed nor appointed received a commission from the company. W. Va. Code R. §114-14-6.3; Standard G3: In two claims the company failed to make an offer or deny the claims. W.Va. Code R § 114-14-3; Standard G5: One closed without payment claim had no denial letter in the file. W.Va. Code R. § 114-14-6.12; Standard G9: In two claims, the insurer did not give the claimants notice of the applicable statute of limitations.

4. On or about June 5, 2017, the examiner filed with the Insurance Commissioner, pursuant to W. Va. Code §33-2-9, a Report of Market Conduct Examination.

5. A true copy of the Report of Market Conduct Examination was sent to PanHandle for it to review.

6. PanHandle was notified that, pursuant to W. Va. Code §33-2-9(j) (2), it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the Insurance Commissioner.

7. PanHandle has filed no objections and has elected to enter into this Agreed Order.

8. PanHandle waives notice of administrative hearing, any and all rights to an administrative hearing, and to judicial review of this matter.

9. Any Finding of Fact that is more properly a Conclusion of Law is hereby adopted as such and incorporated in the next section.

#### **CONCLUSIONS OF LAW**

1. The Insurance Commissioner has jurisdiction over the subject matter and the parties to this proceeding.

2. This proceeding is pursuant to and in accordance with W. Va. Code § 33-2-9.

3. The Insurance Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code and the West Virginia Code of State Rules by PanHandle as well as all other provisions of regulation that the company is subjected to by virtue of its Certificate of Authority to operate in the State of West Virginia.

4. PanHandle did not fail any standards during the examination which is evident from the Market Conduct Examination Report. However, there were sporadic errors and areas of concern as set forth in the Findings of Fact above and in the Market Conduct Examination report. Because of these areas of concern, the Insurance

Commissioner can require the insurer to file a corrective action plan.

### **ORDER**

Pursuant to W. Va. Code §33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, and the response of PanHandle thereto, if any, the Insurance Commissioner and PanHandle have agreed to enter into this Agreed Order adopting the Report of Market Conduct Examination. It is accordingly **ORDERED** as follows:

(A) The Report of Market Conduct Examination of PanHandle Farmers Mutual Insurance Company of West Virginia for the period ending December 31, 2016, is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner;

(B) It is further **ORDERED** that PanHandle shall monitor its compliance with the West Virginia Code and West Virginia Rules referenced in paragraph 3 of the Findings Fact above which were areas that contained some errors.

(C) It is further **ORDERED** that within thirty (30) days of the next regularly scheduled meeting of its Board of Directors, PanHandle shall file with the West Virginia Insurance Commissioner, in accordance with W. Va. Code §33-2-9(j)(4), affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report of Market Conduct Examination and a copy of this Order.

(D) It is further **ORDERED** that PanHandle **SHALL FILE** a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail the insurer's changes to its procedures and/or internal policies to ensure compliance with the West Virginia Code and incorporate all recommendations of the Insurance Commissioner's examiners and address all violations specifically cited in the Report of Market Conduct Examination. The Corrective Action Plan outlined in this Order must be submitted to

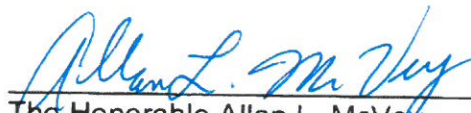


the Insurance Commissioner for approval within thirty (30) days of the entry date of this Agreed Order. Insurer shall implement reasonable changes to the Corrective Action Plan if requested by the Insurance Commissioner within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan. The Insurance Commissioner shall provide notice to Insurer if the Corrective Action Plan is disapproved and the reasons for such disapproval within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan.

(E) It is further **ORDERED** that PanHandle shall ensure compliance with the West Virginia Code and the Code of State Rules. PanHandle shall specifically cure those violations and deficiencies identified in the Report of Market Conduct Examination; and

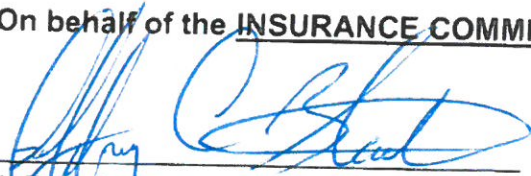
(F) It is finally **ORDERED** that all such statutory notices, administrative hearings and appellate rights are herein waived concerning this Report of Market Conduct Examination and Agreed Order. All such rights are preserved by the Parties regarding implementation or further action taken on such Order by the Commissioner against PanHandle.

Entered this 19<sup>th</sup> day of June, 2017.

  
\_\_\_\_\_  
The Honorable Allan L. McVey  
Insurance Commissioner

REVIEWED AND AGREED TO BY:

On behalf of the INSURANCE COMMISSIONER:

  
\_\_\_\_\_  
Jeffrey C. Black, Attorney Supervisor  
Regulatory compliance and Enforcement

Dated: 6/16/17

On Behalf of PanHandle Farmers Mutual Insurance Company of West Virginia

By: Art Meadows  
\_\_\_\_\_  
Print Name

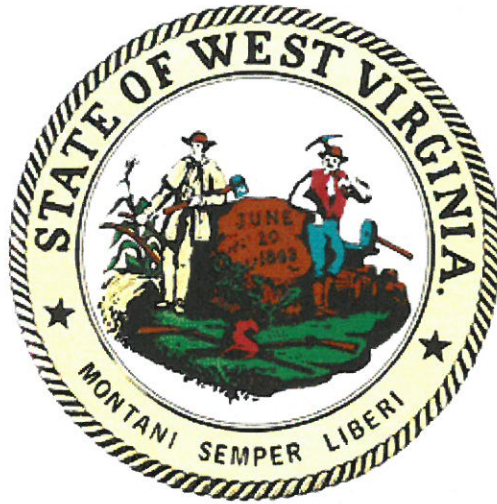
Its: President/CEO  
\_\_\_\_\_

Signature:   
\_\_\_\_\_

Date: June 15, 2017  
\_\_\_\_\_

# Report of Market Conduct Examination

As of December 31, 2016



Panhandle Farmers Mutual Insurance Company of West Virginia  
3727 Waynesburg Pike Road  
Moundsville, WV 26041

**NAIC COMPANY CODE: 10904**

**Examination Number: 17-MC-STAT-02003**

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June 5, 2017

The Honorable Allan McVey CPCU, ARM, AAI, AAM, AIS  
West Virginia Insurance Commissioner  
900 Pennsylvania Avenue  
Charleston, West Virginia 25302

Dear Commissioner McVey:

Pursuant to your instructions, and in accordance with W.Va. Code §33-2-9, an examination has been made as of December 31, 2016 of the business affairs of

Panhandle Farmers Mutual Insurance Company of West Virginia  
3727 Waynesburg Pike Road  
Moundsville, WV 26041

Hereinafter referred to as the "Company." The following report of the findings of this examination is herewith respectfully submitted.

## FOREWORD

This is a report by test of company compliance with selected Standards contained in the National Association of Insurance Commissioners' (NAIC) *2016 Market Regulation Handbook* ("Handbook") and Standards approved by the West Virginia Offices of the Insurance Commissioner ("WVOIC") which are based on applicable West Virginia statutes and administrative rules, as referenced herein. Testing is based on guidelines contained in the Handbook. All tests applied are included in this report.

"Company" as used herein refers to Panhandle Farmers Mutual Insurance Company of West Virginia. "WVOIC" as used herein refers to the West Virginia Offices of the Insurance Commissioner. "W.Va. Code R." as used herein refers to the West Virginia Code of State Rules. "W.Va. Code" as used herein refers to the West Virginia Code Annotated.

## EXECUTIVE SUMMARY

The examination fieldwork began April 3, 2017 and concluded on May 19, 2017. A total of thirty-five (35) standards were reviewed during this examination. Of these thirty-five (35) standards, the Company was compliant in thirty (30), predominantly compliant in four (4) standards (D2, G3, G5, and G9) where some sporadic errors were noted; one (1) standard was not applicable (F9).

The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the West Virginia insurance laws and regulations.

## SCOPE OF EXAMINATION

Market conduct examiners with the WVOIC reviewed certain business practices of Panhandle Farmers Mutual Insurance Company. W. Va. Code §33-2-9 empowers the Commissioner to examine any entity engaged in the business of insurance. The findings in this report, including all work products developed in producing it, are the sole property of the WVOIC.

The basic business areas that were reviewed and tested under this examination were:

- Company Operations and Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims

Each business area has standards that the examination measured. Some standards have specific statutory guidelines, others have specific company guidelines, and yet others have contractual guidelines.

The focus of the examination was on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This included an analysis of how the Company communicates its instructions and intentions throughout its operations, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the result findings of the measurement and monitoring activities. The examination also determined whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus was then made on those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Most areas were tested to verify the Company is in compliance with West Virginia statutes and rules. The examiners may not have discovered every unacceptable or non-compliant activity in which the Company is engaged. The failure to identify, comment on, or criticize specific Company practices does not constitute an acceptance of the practices by the West Virginia Offices of the Insurance Commissioner or its' designee.

## **HISTORY AND PROFILE**

The company was chartered in 1898 under the farm mutual charter and has operated under that charter since that time. The management structure is CEO who oversees all operations of the company. PanHandle only has 6 employees so the management structure is minimal. The Company has a homeowners 2016 market share of 0.548% in West Virginia. They write homeowners multi-peril, fire, allied lines and other-liability lines.

## **METHODOLOGY**

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") and West Virginia's applicable statutes and regulations. The examiners conducted file reviews and interviews of company management. This examination report is a report by test, rather than a report by exception, and all standards tested are described and the results indicated.

Tests designed to measure the level of compliance with West Virginia's statutes, rules and regulations were applied to the files. All tests are described and the results displayed in this report.

In the results tables a "pass" response indicated compliance and a "fail" response indicates a failure to comply. The results of each test applied to a sample are reported separately.

The examiners used the NAIC standards of 7% error ratio on claims tests (93% compliance rate) and 10% error ratio on all other tests (90% compliance rate) to determine whether or not an apparent pattern or practice of being compliant or non-compliant existed for any given test. Except as otherwise noted, all tests were conducted via random sample taken from a given population. The claims population was separated into first and third party claims using liability



and med payments as indicating factors. Total Loss populations were derived by sorting claims payments in descending order by payment amounts. We selected the largest twenty-five and continued down the list finding only 13 total losses. The Company provided a list of all policies and then separate lists for new policies by year. The remainder were renewals. For certain sections of the exam, sample sizes for each of the categories were determined, based on the total population, utilizing the Acceptance Samples Table (AST) found in the NAIC *Market Regulation Handbook*. If after the review of 25 files in a sample population, no issues were identified, the review of that sample was terminated.

## **A. COMPANY OPERATIONS/MANAGEMENT**

The evaluation of standards in this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to provide a view of what the Company is and how it operates and is not based on sampling techniques, but rather the Company's structure. This review is not intended to duplicate a financial examination review but is important in establishing an understanding of the examinee. Many troubled companies have become so because management has not been structured to adequately recognize and address the problems that can arise. Well-run companies generally have processes that are similar in structure. While these processes vary in detail and effectiveness from company-to-company, the absence of them or the ineffective application of them is often reflected in failure of the various standards tested throughout the examination. The processes usually include:

- A planning function where direction, policy, objectives, and goals are formulated;
- An execution or implementation of the planning function elements;
- A measurement function that considers the results of the planning and execution; and
- A reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

**Standard A1: The Company has an up-to-date, valid internal or external audit program.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 1)

### **Test Methodology:**

- Does the Company have an internal and external audit program to detect structural problems before they occur? [*W. Va. Code §§33-3-14 and 33-33-1*]

**Examiner Observations:** The Company does not have a formal audit program, however they randomly do perform claim and underwriting audits internally. In addition, the Company has an annual audit performed by an external source.

**Examiner Recommendations:** None

**Results:** Compliant



**Standard A3: The Company has anti-fraud initiatives in place that are reasonable calculated to detect, prosecute and prevent fraudulent insurance acts.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 3)

**Test Methodology:**

- Does the Company have any procedural manuals or guides and antifraud plans?
- Does the Company report fraudulent activities of which it becomes aware? [W. Va. Code §33-41-5]

**Examiner Observations:** The company does not have a formal written antifraud plan. All claims are handled by the Company claim adjusters, outside contractors or the officers of the Company and any potential acts of fraud are reported to the President of the Company and the West Virginia Offices of the Insurance Commissioner. The examiner found no potential instances of fraud.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard A4: The Company has a valid disaster recovery plan.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 4)

**Test Methodology:**

- Does the Company have a disaster recovery plan that will detail procedures for continuing operations in the event of any type of disaster?

**Examiner Observations:** The company has a disaster recovery plan. They have a web based system that functions in the cloud and only need internet access to access their files and documents. The Company's operation is primarily in a cloud environment and except for receiving mail, they can be operational anywhere an internet connection can be established.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard A7: Records are adequate, accessible, consistent and orderly and comply with state record retention.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 7)

**Test Methodology:**

- Are the records adequate and accessible as required by W. Va. Code R. §114-15-4? [W. Va. Code §33-2-9]

**Examiner Observations:** Files are retained in accordance with state record retention requirements. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard A8: The Company is licensed for the lines of business that are being written.**  
(2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 8)

**Test Methodology:**

- Are the Company's operations in conformance with the Company's certificate of authority?

**Examiner Observations:** The Company's certificate of authority was reviewed and writings were compared with authorized lines and the NAIC annual statement. The Company's current forms which are in use were reviewed. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard A9: The Company cooperates on a timely basis with examiners performing the examinations.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 9)

**Test Methodology:**

- Did the Company provide records in a timely basis? [W. Va. Code §33-2-9 and W. Va. Code R. §114-15-4.9(a)]

**Examiner Observations:** The Company was cooperative and the examination proceeded in a cordial atmosphere. Data provided was responsive and timely.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard A12: The Company has policies and procedures to protect the privacy of non-public personal information relating to its customers, former customers, and consumers that are not customers.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 12)

**Test Methodology:**

- Does the Company provide adequate protection of information it holds concerning its policyholders and minimize any improper intrusion into the privacy of applicants and policyholders? [W. Va. Code R. §114-62]

**Examiner Observations:** The Company has procedures for the protection of and privacy of applicants and policyholders.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard A13: The Company provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information.** (2016 NAIC Market Regulation Handbook Chapter 16, § A Standard 13)

**Test Methodology:**

- Does the company provide privacy notices and are they clear, conspicuous and accurately reflect the privacy policies and practices? [W. Va. Code R. §§114-57]

**Examiner Observations:** The Company has adequate notices. No exceptions were noted. All policyholders are provided with a privacy notice. Additionally, a West Virginia Privacy Statement is supplied to all applicants and policyholders. The Company's privacy notice states "Panhandle does NOT provide or share nonpublic information about our customers with outside third parties and have no plans to do so; however, if at some future time, we would elect to provide or share this nonpublic information, you as a customer would have a right to "OPT OUT."

**Examiner Recommendations:** None

**Results:** Compliant

## **B. COMPLAINT HANDLING**

Evaluations of the standards in this business area are based on company responses to various information requests and the review of complaint files at the Company. In this business area, "complaints" include "grievances." W.Va. Code §33-11-4(10) requires the Company to "...maintain a complete record of all the complaints which it has received since the date of its last examination." The statute also requires that, "This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint," the definition of a complaint is, "...any written communication primarily expressing a grievance."

**Standard B1: All complaints are recorded in the required format on the Company complaint register.** (2016 NAIC Market Regulation Handbook Chapter 16, § B Standard 1)

**Test Methodology:**

- Is the Company recording all complaints, directly from the consumer as well as the Commissioner's office, in a regulated complaint register? [W. Va. Code §33-11-4(10) and W. Va. Code R. 114-15-4.6, 7 and 8]
- Does the Company retain the complaint records for the lesser of: the current calendar year plus five (5) calendar years; or the closing date of the period of review for the most recent examination. [W. Va. Code R. 114-15-4.2b]

**Examiner Observations:** The Company maintains an electronic log of complaints in accordance with the requirements of the Insurance Commissioner. The company received four (4) complaints from the WVOIC during the examination period. The examiners did not observe any communications from policyholders or claimants that could be construed as complaints during the policy or claims file reviews.

**Examiner Recommendations:** None

**Results:** Compliant

**Table B1 Results: Complaints Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Complaints	4	4	0	4	0	90	100

**Standard B2: The Company has adequate complaint handling procedures in place and communicates such procedures to policyholders.** (2016 NAIC Market Regulation Handbook Chapter 16, § B Standard 2)

**Test Methodology:**

- Does the Company have complaint procedures in place, and are they sufficient to satisfactorily handle complaints?
- Does the Company have procedures in place to track responses to complaints?

**Examiner Observations:** Insured has procedures in place. The process is to begin processing complaints within twenty-four hours and to provide a response within fifteen working days as required.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard B4: The time frame within which the Company responds to complaints is in accordance with applicable statutes, rules, and regulations.** (2016 NAIC Market Regulation Handbook Chapter 16, § B Standard 4)

**Test Methodology:**

- Is the Company responding to complaints in a timely manner as required by W. Va. Code R. §114-14-5.2?

**Examiner Observations:** The Company had four (4) complaints during the examination period. Each was properly documented and they responded to the WVOIC in a timely manner.

**Examiner Recommendations:** None

**Results:** Compliant

**Table B4 Results: Complaints Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Complaints	4	4	0	4	0	90	100

## **C. MARKETING & SALES**

The evaluation of standards in this business area is based on a review of company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to evaluate the representations made by the Company about its products. It is not typically based on sampling techniques, but can be. The areas to be considered in this kind of review include all media, written and verbal advertising and sales material.

**Standard C1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations.** (2016 NAIC Market Regulation Handbook Chapter 16, § C Standard 1)

**Test Methodology:**

- Are all advertising materials in conformity with the Company's policy forms, and in compliance with applicable statutes, rules and regulations? [W. Va. Code §33-11-3 & 4]
- Does the Company approve producer sales materials and advertising? [W. Va. Code §33-11-4(2) and 5(a) and (b)]

**Examiner Observations:** The only advertising material used by field personnel is contained on Panhandle's website which consist of product brochures. No material is actually published.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard C2: The Company's internal producer training materials are in compliance with applicable statutes, rules, and regulations.** (2016 NAIC Market Regulation Handbook Chapter 16, § C Standard 2)

**Test Methodology:**

- Are all producer training materials in compliance with state statutes, rules and regulations?
- Are there any references to employing unfair discriminations tactics or avoiding statutory compliance? [W. Va. Code §33-11-3 & 4]

**Examiner Observations:** The Company has no formal training materials. Underwriting manuals are provided to producers. Agent training includes direction on the use of underwriting guidelines and policy rating. Review of the manuals found no references to employing unfair discriminations tactics. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Standard C3: Company communications to producers are in compliance with applicable statutes, rules, and regulations.** (2016 NAIC Market Regulation Handbook Chapter 16, § C Standard 3)

**Test Methodology:**

- Is the Company in compliance with the prohibitions on misrepresentations as to representations made by the Company to the producer other than in training mode? [W. Va. Code §33-11-3 & 4]

**Examiner Observations:** Communications between the Company and its producers are normally accomplished through emails and over telephone. The examiners reviewed the written communications, including those found in the policy files, for adherence to both the West Virginia Unfair Trade Practices Act and the West Virginia Unfair Claims Settlement Practices Act. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

## **D. PRODUCER LICENSING**

The evaluation of standards is based on a review of WVOIC records and company responses to information requests, questions, interviews, and presentations made to the examiners. This portion of the examination is designed to test the Company's compliance with West Virginia producer licensing laws and rules.

**Standard D2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.** (2016 NAIC Market Regulation Handbook Chapter 16, § D Standard 2)

**Test Methodology:**

- Are the producers properly licensed and appointed for business solicited in West Virginia? [W. Va. Code §33-12-18(a)]
- Does the Company appoint the producer within fifteen (15) days of the date the producer submits their first application to the Company? [W. Va. Code §33-12-18(b)]
- Are all applications signed by properly licensed and appointed producers? [W. Va. Code §33-12-18]

**Examiner Observations:** During the review of the “new business” section of the exam, one policy had a producer whose license and appointment lapsed. At the time of renewal, the producer received commission and was neither appointed nor licensed. The issue was resolved prior to the examination.

**Examiner Recommendations:** It is recommended that all producers be properly licensed and appointed by the Company per W. Va. Code §33-12-18 and W. Va. Code §33-12-23. The Company should implement an internal control, to assure that prior to accepting business or paying commissions, all producers are properly licensed and appointed.

**Results:** Predominantly Compliant

**Table D2 Results: Producer Licensing Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New business policies	973	25	0	24	1	90	96
Renewal policies	980	25	0	25	0	90	100
<b>Total</b>	<b>1953</b>	<b>50</b>	<b>0</b>	<b>49</b>	<b>1</b>	<b>90</b>	<b>98</b>

**Standard D3: Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.** (2016 NAIC Market Regulation Handbook Chapter 16, § D Standard 3)

**Test Methodology:**

- Does the Company notify the Commissioner’s Office (on a form prescribed by the WVOIC) within thirty (30) days of terminating the producer’s authority? [W. Va. Code §33-12-25 et seq.]
- Is the producer notified simultaneously? [W. Va. Code §33-12-25(d)]
- Does the Company notify the Commissioner’s Office if the termination is for cause per W.Va. Code §33-12-25(a)?

**Examiner Observations:** The entire population of 46 (46) terminated producers was reviewed. The Company produced copies of the termination letters. All met the required time frames.

**Table D3 Results: Terminated Producers Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Terminated Producers	46	46	0	46	0	90	100

**Examiner Recommendations:** None

**Results:** Compliant

**Standard D4: The Company's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.** (2016 NAIC Market Regulation Handbook Chapter 16, § D Standard 4)

**Test Methodology:**

- Does the appointment or termination of producers result in unfair discrimination against policyholders?
- Does the termination leave any territories understaffed?

**Examiner Observations:** The Company's producers can be found throughout the State of West Virginia. The Company products are marketed in under-served areas. No unfair discrimination against policyholders can be inferred by the Company's producer appointment and termination records.

**Examiner Recommendations:** None

**Results:** Compliant

## **E. POLICYHOLDER SERVICE**

The evaluation of standards in this business area is based on review of company responses to information requests, questions, interviews, and presentations made to the examiner and file sampling during the examination process. The policyholder service portion of the examination is designed to test a company's compliance with statutes regarding notice/billing, delays/no response, premium refund and coverage questions.

**Standard E2: Policy issuance and insured requested cancellations are timely.** (2016 NAIC Market Regulation Handbook Chapter 16, § E Standard 2)

**Test Methodology:**

- Was the policy issued timely?
- Was the insured requested cancellation timely or was there any excessive paperwork required? *[no statutory requirement]*



**Examiner Observations:** A sample of new business and renewal policy files were reviewed to determine the time required by the Company to issue policies. The Company issued the policy within fifteen (15) days for the entire sample tested. No exceptions were noted.

A sample of insured requested cancellation was reviewed to determine if the cancellations were timely and did not require excessive paperwork. Additionally, a sample of policies cancelled by the Company (other than for non-payment) were reviewed. All policies were cancelled timely.

**Examiner Recommendations:** None

**Results:** Compliant

**Table E2a Results: Policyholder Service Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New business policies	973	25	0	25	0	90	100

**Table E2b Results: Policyholder Service Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Renewal Policies	980	25	0	25	0	90	100

**Table E2c Results: Policyholder Service Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Cancelled by insured	291	25	0	25	0	90	100

**Table E2d Results: Policyholder Service Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Cancelled by Company	179	25	0	25	0	90	100

**Standard E7: Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.** (2016 NAIC Market Regulation Handbook Chapter 16, § E Standard 7)

**Test Methodology:**

- Were the unearned premiums calculated correctly?

**Examiner Observations:** All unearned premiums were calculated properly and returned timely.

**Examiner Recommendations:** None

**Results:** Compliant

**Table E7a Results: Unearned Premiums Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Cancelled by insured	291	25	0	25	0	90	100

**Table E7B Results: Unearned Premiums Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Cancelled by Company	179	25	0	25	0	90	100

## F. UNDERWRITING & RATING

The evaluation of standards in this business area is based on review of company responses to information requests, questions, interviews, presentations made to the examiner, and file sampling. The underwriting and rating practices portion of the examination is designed to provide a view of how the Company treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations. It is typically determined by testing a random sampling of files and applying various tests to the sampled files. Testing is concerned with compliance issues.

**Standard F1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company rating plan.** (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 1)

### Test Methodology:

- Was the premium calculated correctly? [W. Va. Code §33-11-4(7)(c)]
- Were the underwriting guidelines followed?

**Examiner Observations:** Although Farmers Mutual Fire Insurance Companies are not required to file rates with the Commissioner's Office, rates should not be unfairly discriminatory. Wide scale application of incorrect rates by a company may raise financial solvency questions or be indicative of inadequate management oversight. Deviation from established rating plans may also indicate a company is engaged in unfair competitive practices.

A sample of new issue policy and renewal files were reviewed and the premium re-calculated to determine if the Company was following their underwriting guidelines. The Company consistently followed its underwriting guidelines. There were no exceptions.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F1 Results: Underwriting and Rating Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New Policies	973	25	0	25	0	90	100
Renewal Policies	980	25	0	25	0	90	100

**Standard F2: All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.** (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 2)

**Test Methodology:**

- Were quotations reasonable and accurate with mandated disclosures as applicable?

**Examiner Observations:** It is necessary to provide insureds with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions. Concerns tested included accuracy of producer quotations, including extended and supplemental coverages. Quotations were reasonable and accurate. Rate changes were made at renewal dates and insureds were provided adequate advance notice. New applications and renewals were reviewed with the types of coverages selected and the premium calculated using appropriate company rating materials. Coal mine subsistence was offered and the applicant signed to accept or reject. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F2 Results: Underwriting and Rating Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New Policies	973	25	0	25	0	90	100
Renewal Policies	980	25	0	25	0	90	100
Total	1953	50	0	50	0	90	100

**Standard F3: Company does not permit illegal rebating, commission-cutting, or inducements.** (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 3)

**Test Methodology:**

- Was there any form of unfair discrimination found in the form of illegal rebating, commission-cutting, or other illegal inducements? [W. Va. Code §33-11-4(8)]

**Examiner Observations:** A review of new issue and renewal policy files found no evidence of rebating or commission-cutting. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F3 Results: Underwriting and Rating Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New Policies	973	25	0	25	0	90	100
Renewal Policies	980	25	0	25	0	90	100
Total	1953	50	0	50	90	90	100

**Standard F4: The Company underwriting practices are not unfairly discriminatory. The Company adheres to applicable statutes, rules and regulations, and Company guidelines in the selection of risks.** (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 4)

**Test Methodology:**

- Is the Company following its underwriting guidelines?
- Do those guidelines conform to any applicable statutes, rules and regulations?
- Any inconsistency in handling of rating or underwriting practices?

**Examiner Observations:** A sample of new issue and renewal policy files was reviewed to ensure underwriting information used to make decisions was not unfairly discriminatory. It was determined that the Company was selecting risks and assigning rates according to company guidelines and no unfair discriminatory practices were detected. It was determined the Company was selecting risks and assigning rates according to company guidelines and no unfair discriminatory practices were detected.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F4 Results: Underwriting and Rating Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New Policies	973	25	0	25	0	90	100
Renewal Policies	980	25	0	25	0	90	100
Total	1953	50	0	50	0	90	100

**Standard F7: Rejections and declinations are not unfairly discriminatory.** (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 7)

**Test Methodology:**

- Does the Company provide valid reasons for rejection/declinations when required?
- Does the Company monitor the agency rejections/declinations for appropriate practices?

**Examiner Observations:** Farmers' Mutual Fire Insurance Companies are not subject to W.Va. Code §33-17A-6; however, they are subject to W.Va. Code §33-11-4(7)(c). Consistent application of the Company's underwriting rules is the primary method used to avoid unfair discrimination.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F7 Results: Rejections and Declination Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Declinations	117	25	0	25	0	90	100

**Standard F8: Cancellation/non-renewal and declination notices comply with policy provisions and state laws and company guidelines.** (2013 NAIC Market Regulation Handbook Chapter 16, § F Standard 8)

**Test Methodology:**

- Does the notice contain the proper reason?
- Were the company-initiated cancellations and non-renewals within the policy provisions?

**Examiner Observations:** As a Farmers' Mutual Fire Insurance Company, the Company is not subject to W.Va. Code §33-17A-4(a) and (b). Therefore, the Company has no direct statutory requirement to delineate reasons for declinations or cancellations on their notices. Conversely, this requirement may be implied in order to assure compliance with W.Va. Code §33-11-4(7)(c) which prohibits unfair discrimination. Cancellations contained the proper reason within the notice. No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F8 Results: Underwriting Cancellations Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Policies cancelled by insured	291	25	0	25	0	90	100
Policies cancelled by company	179	25	0	25	0	90	100
Declinations	117	25	0	25	0	90	100
<b>Total</b>	<b>587</b>	<b>75</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>90</b>	<b>100</b>

**Standard F9: Rescissions are not made for non-material misrepresentation.** (2016 NAIC Market Regulation Handbook Chapter 16, § F Standard 9)

**Test Methodology:**

- Is the decision to rescind the policy made in accordance with applicable statutes, rules, and regulations?
- Do the rescinded policies indicate a trend toward post-claim underwriting practices?

**Examiner Observations:** The Company had no rescissions.

**Examiner Recommendations:** None

**Results:** N/A

**Standard F17: Underwriting, rating, and classification are based on adequate information developed at or near inception of the coverage rather than near expiration or following a claim.** (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 8)

**Test Methodology:**

- Determine if the initial underwriting of a policy is based on the information obtained after a claim is submitted.

**Examiner Observations:** A sample of new business policy files were reviewed to determine if decisions were based on information received at inception of the policy rather than through audits or post claim. The Company uses inspections and photographs to supplement applications.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F17 Results: Underwriting Information at Inception Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New business policies	973	25	0	25	0	90	100

**Standard F18: Applications or enrollment forms are properly, accurately and fully completed, including any required signatures, and file documentation adequately supports decisions made.** (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 18)

**Test Methodology:**

- Are applications completed and signed where required?
- Are the files properly documented?

**Examiner Observations:** There were no exceptions.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F18 Results: Underwriting Applications Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New business policies	973	25	0	25	0	90	100

**Standard F22: The Company does not engage in collusive or anti-competitive underwriting practices.** (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 13)

**Test Methodology:**

- Is there any unlawful pricing or other prohibited anti-competitive acts or practices? [W. Va. Code §33-11-3]
- Has the Company entered into any agreements with other West Virginia companies to divide the market within West Virginia by territory? [W. Va. Code §33-11-3]

**Examiner Observations:** A sample of new business and renewal policy files and underwriting guidelines did not reveal any evidence of collusive or anti-competitive practices on the part of the Company.

**Examiner Recommendations:** None

**Results:** Compliant

**Table F22 Results: Underwriting and Rating Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
New Policies	973	25	0	25	0	90	100
Renewal Policies	980	25	0	25	0	90	100
<b>Total</b>	<b>1953</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>90</b>	<b>100</b>

**Standard F25: Cancellation/non-renewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.** (2016 NAIC Market Regulation Handbook Chapter 17, § F Standard 16)

**Test Methodology:**

- Was the policyholder given the proper advance notice on a company initiated cancellation/non-renewal? [*W. Va. Code §33-22-15(c)*]

**Examiner Observations:** W. Va. Code §33-22-15(c) requires Farmers' Mutual Fire Insurance Companies to give each policyholder five (5) days' notice of cancellation. Policyholders need sufficient time in the event of a cancellation or non-renewal to replace coverage. The company's policy provisions allow for a broader notice of cancellation as outlined below.

A sample of company-initiated cancelled policy files was reviewed for compliance with W. Va. Code §33-22-15(c) and the Company's policy provisions. According to policy provisions, the Company may, within the first 60 days, cancel for any reason (and the Company gives a 30-day notice). If the policy has been in effect 60 days or more, the Company may cancel for specified reasons as listed under the Policy Conditions (Company gives at least a 30-day notice). The company can cancel for nonpayment of premium and gives at least 10 day notice. The examiners reviewed the entire population of company policy cancellations to determine if the advance cancellation notices were provided according to policy provisions. No exceptions were found.

**Examiner Recommendations:** None

**Results:** Compliant



**Table F25 Results: Underwriting Notices of Cancellation Sample**

Type	Population	Sample	N/A	Pass	Fail	Standard	Compliance
Policies cancelled by company	179	25	0	25	0	90	100
Policies cancelled by Company non-pay	489	25	0	25	0	90	100
<b>Total</b>	<b>668</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>90</b>	<b>100</b>

## G. CLAIMS

The evaluation of standards in this business area is based on company responses to information items requested by the examiner, discussions with company staff, electronic testing of claim databases, and file sampling during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes and rules.

**Standard G1: The initial contact by the Company with the claimant is within the required time frame.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 1)

### Test Methodology:

- Was the claimant contacted within fifteen (15) working days (or mandated emergency order timeframe) from the date of the loss notice per W.Va. Code §33-11-4(9)(b) and W. Va. Code R. §114-14-5.1?

**Examiner Observations:** No exceptions were found.

**Examiner Recommendations:** None

**Results:** Compliant

**Table G1 Results: Claims Initial Contact Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid claims 1 <sup>st</sup> party	314	25	25	0	0	93	100
Paid claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100
Paid claims total losses	13	13	13	0	0	93	100
Closed without payment 1 <sup>st</sup> party	398	76	76	0	0	93	100
Closed without payment 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>736</b>	<b>125</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>100</b>

**Standard G2: Timely investigations are conducted.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 2)

**Test Methodology:**

- Did the investigation commence within fifteen (15) working days of any claim filed per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.2a?
- Is the investigation continuing more than 30 calendar days? If so, was a delay letter sent within 15 working days after the 30 calendar days per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.7?
- If the investigation continued, were subsequent delay letters sent with 45 calendar days per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.7?

**Examiner Observations:** No exceptions were found.

**Examiner Recommendations:** None

**Results:** Compliant

**Table G2 Results: Claims Timely Investigation Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid Claims 1 <sup>st</sup> party	314	25	25	0	0	93	100
Paid Claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100
Paid Claims Total Losses	13	13	13	0	0	93	100
Closed without Pay 1 <sup>st</sup> Party	398	76	76	0	0	93	100
Closed with pay 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>736</b>	<b>125</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>100</b>

**Standard G3: Claims are resolved in a timely manner.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 3)

**Test Methodology:**

- Did the Company deny the claim or make a written offer within ten (10) working days of completing its investigation per W. Va. Code §33-11-4(9)(c) and W. Va. Code R. §114-14-6.3?

**Examiner Observations:** Two closed without payment claims failed to deny the claim or make a written offer. One claim was for theft/vandalism and the other was for damage to roof as wind caused a tree limb to fall. The claimants were sent questionnaires to fill out and return. The claimants failed to do so and the Company closed the claim. In one claim, the Company sent the questionnaire and then one notice of necessary delay letter. In the other claim, the Company sent two notice of

necessary delay letters. The final letters stated that if nothing was received “we will proceed with closing this claim without payment”. It appears that the Company concluded its investigations asserting that the claimant was no longer cooperating. The Company should have formally denied the claim and advised the claimant of the statute of limitations. (Alternatively, the Company could have continued its investigation by pursuing receipt of the questionnaire and issuing additional notices of necessary delay per W. Va. Code St R § 114-14-6.7).

The Company did not make a written offer or a denial to the claimant per W. Va. Code St R § 114-14-6.3 (Duty after investigation).

**Examiner Recommendations:** It is recommended that the Company make a written offer or a denial to the claimant per W. Va. Code St R § 114-14-6.3 (Duty after investigation).

**Results:** Predominantly Compliant

**Table G3 Results: Claims Resolution Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid Claims 1 <sup>st</sup> party	314	25	23	0	2	93	92
Paid Claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100
Paid Claims Total Losses	13	13	13	0	0	93	100
Closed without Pay 1 <sup>st</sup> Party	398	76	76	0	0	93	100
Closed with pay 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>736</b>	<b>125</b>	<b>123</b>	<b>0</b>	<b>2</b>	<b>93</b>	<b>98</b>

**Standard G4: The Company responds to claim correspondence in a timely manner.**  
(2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 4)

**Test Methodology:**

- Did the Company reply to pertinent communications from a claimant which reasonably suggests that a response is needed? [W. Va. Code §33-11-4(9)(b) and W. Va. Code R. §114-14-5]

**Examiner Observations:** No exceptions were found.

**Examiner Recommendations:** None

**Results:** Compliant

**Table G4 Results: Claims Correspondence Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid Claims 1 <sup>st</sup> party	314	25	25	0	0	93	100
Paid Claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100
Paid Claims Total Losses	13	13	13	0	0	93	100
Closed without Pay 1 <sup>st</sup> Party	398	76	76	0	0	93	100
Closed with pay 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>736</b>	<b>125</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>100</b>

**Standard G5: Claim files are adequately documented.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 5)

**Test Methodology:**

- Do the files contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed? [*W. Va. Code §33-11-4(9) et. seq. and W. Va. Code R. §114-14-3*]

**Examiner Observations:** One closed without payment claim had no denial letter in the file.

**Examiner Recommendations:** It is recommended that the Company fully document denied claims with proper retention of denial letters per *W. Va. Code §33-11-4(9) et. seq. and W. Va. Code R. §114-14-3*.

**Results:** Predominantly Compliant

**Table G5 Results: Claim Documentation Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid Claims 1 <sup>st</sup> party	314	25	24	0	1	93	96
Paid Claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100
Paid Claims Total Losses	13	13	13	0	0	93	100
Closed without Pay 1 <sup>st</sup> Party	398	76	76	0	0	93	100
Closed without pay 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>736</b>	<b>125</b>	<b>124</b>	<b>0</b>	<b>1</b>	<b>93</b>	<b>99</b>

**Standard G7: Company claim forms are appropriate for the type of product.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 7)

**Test Methodology:**

- Are the Company claim forms appropriate?

**Examiner Observations:** The examiners found no exceptions to the rule.

**Examiner Recommendations:** None

**Results:** Compliant

**Table G7 Results: Proper claim forms Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid Claims 1 <sup>st</sup> party	314	25	25	0	0	93	100
Paid Claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100
Paid Claims Total Losses	13	13	13	0	0	93	100
Closed without Pay 1 <sup>st</sup> Party	398	76	76	0	0	93	100
Closed with pay 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>736</b>	<b>125</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>100</b>

**Standard G9: Denied and closed-without-payment claims are handled in accordance with policy provisions and state laws.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 9)

**Test Methodology:**

- Is the denial based upon specific policy provisions or exclusions?
- Is the claimant provided with a reasonable basis for the denial when required by statute or regulation? [W. Va. Code R. §114-14-6.5, rule defining W. Va. Code §33-11-4(9)(n)]
- Is the claimant who is neither an attorney or represented by an attorney given written notice of the statute of limitation? [W. Va. Code R. §114-14-6.12, rule by authority of W. Va. Code §33-2-10]

- Is the claimant given the option of contacting the Commissioner's Office and provided with its mailing address, telephone number, and website address? [*W. Va. Code R. §114-14-6.17, rule by authority of W. Va. Code §33-2-10*]

**Examiner Observations:** In two closed without payment claims, the Company did not give the claimants, who were neither an attorney or represented by an attorney, a written notice of the statute of limitation.

- **Examiner Recommendations:** It is recommended that the Company give claimants, who are neither an attorney or represented by an attorney, a written notice of the statute of limitation. per *W. Va. Code R. §114-14-6.12, rule by authority of W. Va. Code §33-2-10*].

**Results:** Predominantly Compliant

**Table G9 Results: Claims Denied or Closed without Payment Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Closed without payment 1 <sup>st</sup> party	398	76	74	0	2	93	97
Closed without payment 3 <sup>rd</sup> party	3	3	3	0	0	93	100
<b>Total</b>	<b>401</b>	<b>79</b>	<b>77</b>	<b>0</b>	<b>2</b>	<b>93</b>	<b>97</b>

**Standard G10: Cancelled checks and drafts reflect appropriate claim handling practices.** (2016 NAIC Market Regulation Handbook Chapter 16, § G Standard 10)

**Test Methodology:**

- Do the checks include the correct payee and are they for the correct amount?
- That payment checks do not indicate the payment is "final" when such is not the case.
- That checks or drafts do not purport to release the insurer from total liability when such is not the case.

**Examiner Observations:** No exceptions were noted.

**Examiner Recommendations:** None

**Results:** Compliant

**Table G10 Results: Claim Payment Sample**

Type	Population	Sample	Pass	N/A	Fail	Standard	Compliance
Paid claims 1 <sup>st</sup> party	314	25	25	0	0	93	100
Paid claims 3 <sup>rd</sup> party	8	8	8	0	0	93	100

Paid claims total losses	13	13	13	0	0	93	100
<b>Total</b>	<b>335</b>	<b>46</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>100</b>

## SUMMARY OF RECOMMENDATIONS

**Recommendation D2:** It is recommended that all producers be properly licensed and appointed by the Company per W. Va. Code §33-12-18 and W. Va. Code §33-12-23. The Company should implement an internal control, to assure that prior to accepting business or paying commissions, all producers are properly licensed and appointed.

**Recommendation G3:** It is recommended that the Company make a written offer or a denial to the claimant per W. Va. Code St R § 114-14-6.3 (Duty after investigation).

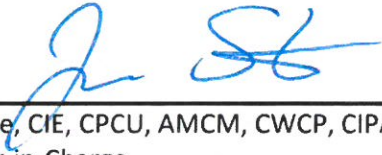
**Recommendation G5:** It is recommended that the Company fully document denied claims with proper retention of denial letters per *W. Va. Code §33-11-4(9) et. seq. and W. Va. Code R. §114-14-3*.

**Recommendation G9:** It is recommended that the Company give claimants, who are neither an attorney or represented by an attorney, a written notice of the statute of limitation. per W. Va. Code R. §114-14-6.12, rule by authority of W. Va. Code §33-2-10.

## EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, Barbara Hudson, AIE, CWCP, MCM, PAHM also participated in this examination.



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John Stike, CIE, CPCU, AMCM, CWCP, CIPA, APA, AU, AFI, PAHM  
Examiner-in-Charge



**EXAMINER'S AFFIDAVIT**

**State of West Virginia**

**County of Kanawha**

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES  
USED IN AN EXAMINATION**

I, John Stike, being duly sworn, states as follows:

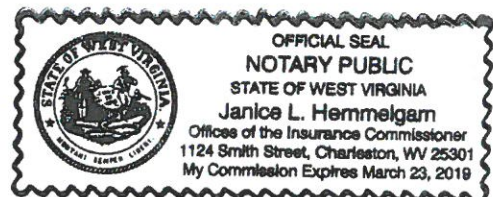
1. I have the authority to represent West Virginia in the examination of Panhandle Farmers Mutual Insurance Company of West Virginia.
2. I have reviewed the examination work papers and examination report, and the examination of Panhandle Farmers Mutual Insurance Company of West Virginia was performed in a manner consistent with the standards and procedures required by West Virginia.

The affiant says nothing further.

  
\_\_\_\_\_  
John Stike, CIE, CPCU, AMCM, CWCP, CIPA, APA, AU, AFI, PAHM  
Examiner in Charge

Subscribed and sworn before me by John Stike on this 5 day of June, 2017.

  
\_\_\_\_\_  
Notary Public



My commission expires: March 23, 2019 (date).